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UNCLAS SECTION 01 OF 02 HANOI 001613

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USDOC FOR 6500 AND 4431/MAC/AP/OPB/VLC/HPPHO

USDOC ALSO FOR ITA/CD/OIO/EAP/ABACHER

E.O. 12958: N/A

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SUBJECT: RAISING COMMERCIAL/ECONOMIC ISSUES WITH DPM DUNG

REF: Hanoi 1604

11. (U) Summary. Deputy Prime Minister Dung on June 3 promised Ambassador to invite Lockheed Martin for negotiations on Vinasat, "took note" of a request to look into a decision on MWH's bid for a program management contract for the Son La dam project, predicted licenses for US insurance companies would be issued based on the "BTA roadmap," and welcomed more US investment in oil and gas as well as in high tech and software fields. He urged support for Vietnam's entry into WTO, taking into consideration Vietnam's low level of economic development. End Summary.

12. (U) In advance of the Ambassador's departure for the U.S. to participate in the tour sponsored by the U.S.-ASEAN Business Council and of the likely visit to the U.S. in July by Communist Party of Vietnam Politburo member Phan Dien, Ambassador met for two hours with Deputy Prime Minister and Politburo member Nguyen Tan Dung on June 3. Pol/C and Commercial Attache accompanied. Assistant Foreign Minister Nguyen Duc Hung also attended. Reftel reported on human rights issues.

VINASAT

13. (U) Ambassador reminded DPM Dung that Dung had met before with representatives of Lockheed Martin regarding a bid on the Vinasat project; LM now wants to return for negotiations. He noted that earlier negotiations between the GVN and Russian and French competitors appear not to have been successful. Ambassador expressed his understanding that a "complicated situation" at the Ministry of Posts and Telematics had caused a delay in decision-making, and encouraged forward motion on this important project. DPM Dung promised that MPT would invite LM "next week" to "continue negotiations."

SON LA

14. (U) Ambassador commented that DPM Dung had also already met with representatives of Montgomery/Watson/Harza on its bid as program manager for the Son La hydroelectric project, at which time the DPM had appeared positive about its involvement. Now, the Ministry of Industry is seeking to re-open the bidding process on this major project, which was already behind schedule. He called for a favorable decision soon. DPM Dung expressed GVN interest in MWH, and noted that EVN appeared favorably inclined. He "took note" of Ambassador's request that he look into the situation with MOI.

BOEING

15. (U) Ambassador expressed his satisfaction that the CEO of Boeing Commercial Aircraft would visit Hanoi during the week of June 7 and his hope that the negotiations would go well on Vietnam's purchase of 7E7s.

INSURANCE

16. (U) Ambassador called for favorable decisions on AIG's application for a non-life insurance license and life insurance licenses for ACE and New York Life. He emphasized that these companies could helpfully contribute to Vietnam's economy and capital markets. DPM Dung acknowledged that the Ministry of Finance had received these applications and that the firms had good reputations, and predicted that the licenses would be approved, "according to the roadmap laid out by the Bilateral Trade Agreement."

CONOCOPHILLIPS

17. (U) Ambassador noted that ConocoPhillips was the

largest US investor in Vietnam (although GVN statistics counted it as investment from Singapore), worth almost US\$1 billion. He expressed concern that Vietnam had become uncompetitive within the region on oil exploration, given the large role for PetroVietnam at each stage of exploration and production as well as the high level of shares of profits -- sometimes as much as 90 percent -- PetroVietnam insisted upon. He noted that oil companies believe the potential in Vietnam was high and want to invest but that they must worry about making a profit. He urged a review of Vietnam's practices and noted the importance of oil as an export for Vietnam. DPM Dung "welcomed" such US investors, including UNOCAL as well as ConocoPhillips, and noted that both sides in negotiations always sought advantage. He pointed to Vietnam's "comprehensive and transparent" law on oil and gas, and called for more investment in oil refining and production as well as exploration. Ambassador promised to return from his visit next week to Houston with more detailed information about problems arising from Vietnam's profit-sharing practices in this sector.

BTA

18. (U) DPM Dung pointed with satisfaction to the large increase in two way trade -- US\$ 6 million in 2003 -- since the entry into force of the BTA. He promised that the GVN would "do everything" to implement the BTA in its entirety, and thanked the USG for "pushing" the GVN on this and for supporting better BTA implementation. He welcomed increased trade with and investment from the U.S. Ambassador commented that the recent BTA implementation talks in Washington had been generally good, although some issues remain for further discussion and action. DPM Dung called for more investment -- especially in high tech and software -- and said that Vietnam would do "anything" in this area, i.e. offering preferential terms to US investors, especially in the central region and especially in Danang. He cited Intel and HP as particularly welcome.

WTO

19. (U) DPU Dung reiterated Vietnam's goal of entering WTO in 2005, and promised that the GVN was doing its "utmost" to achieve this. He asked for US support with Vietnam's negotiations, keeping in mind Vietnam's "low" level of economic development in a transition phase. He also urged the USG to consider trade disputes "fairly" and "according to reality." Ambassador confirmed USG support for Vietnam's entrance into WTO as quickly as possible, noted that the Embassy would send a representative to the next round of talks in Geneva, and commented that the latest Vietnamese offer appeared to show some progress. He warned, however, that this offer appeared not to be up even to BTA levels in terms of services, whereas we saw the BTA commitments as a floor -- not a ceiling -- to what the GVN should offer. He stressed that trade liberalization was good for Vietnam. The DPM said that he agreed, but that the GVN needed to proceed by "cautious steps." He claimed that if Vietnam fully opened without care, it could lead to "economic collapse." Vietnam would continue to open its economy but by "appropriate steps," as it continued to seek full integration into the world trading system, DPM Dung promised.
BURGHARDT